

**TARIFF D.S.M.C.**  
**(Demand-Side Management Adjustment Clause)****APPLICABLE.**

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., and M.W.

**RATE.**

1. The Demand-Side Management (DSM) clause shall provide for periodic adjustment per KWH of sales equal to the DSM costs per KWH by customer sector according to the following formula:

$$\text{Adjustment Factor} = \frac{\text{DSM (c)}}{\text{S(c)}}$$

Where DSM is the cost by customer sector of demand-side management programs, net lost revenues, incentives, and any over/under recovery balances; (c) is customer sector; and S is the adjusted KWH sales by customer sector.

2. Demand-Side Management (DSM) costs shall be the most recent forecasted cost plus any over/under recovery balances recorded at the end of the previous period.
  - a. Program costs are any costs the Company incurred associated with demand-side management which were approved by the Kentucky Power Company DSM Collaborative. Examples of costs to be included are contract services, allowances, promotion, expenses, evaluation, lease expense, etc. by customer sector.
  - b. Net lost revenues are the calculated net lost revenues by customer sector resulting from the implementation of the DSM programs.
  - c. Incentives are a shared-savings incentive plan consisting of one of the following elements: The efficiency incentive, which is defined as 15 percent of the estimated net savings associated with the programs. Estimated net savings are calculated based on the California Standard Practice Manual's definition of the Total Resources Cost (TRC) test, or the maximizing incentive which is defined as 5 percent of actual program expenditures if program savings cannot be measured.
  - d. Over/ Under recovery balances are the total of the differences between the following:
    - (i) the actual program costs incurred versus the program costs recovered through DSM adjustment clause, and
    - (ii) the calculated net lost revenues realized versus the net lost revenues recovered through the DSM adjustment clause, and
    - (iii) the calculated incentive to be recovered versus the incentive recovered through the DSM adjustment clause.
3. Sales (S) shall be the total ultimate KWH sales by customer sector less non-metered, opt-out and lost revenue impact KWHs by customer sector.
4. The provisions of the Demand-Side Management Adjustment Clause will be effective for the period ending December 31, 2011.

(Cont'd On Sheet No. 22-2)

**PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
12/16/2009**

PURSUANT TO 807 KAR 5:011

SECTION 8 (1)

DATE OF ISSUE December 21, 2009 DATE EFFECTIVE Service rendered on and after December 16, 2009  
 ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES CKY  
 NAME TITLE

Issued by authority of an Order of the Public Service Commission in Case No. 2009-00

By [Signature]  
**Executive Director**

**DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE (Cont'd.)**  
**(Tariff D.S.M.C.)**

**RATE. (Cont'd.)**

5. The DSM adjustment shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustments, which shall include data, and information as may be required by the Commission.
6. Copies of all documents required to be filed with the Commission under this regulation shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.
7. The resulting range for each customer sector per KWH during the three-year Experimental Demand-Side Management Plan is as follows:

CUSTOMER SECTOR

	<u>RESIDENTIAL</u> (\$ Per Kwh)	<u>COMMERCIAL **</u> (\$ Per KWH)	<u>INDUSTRIAL *</u> (\$ Per KWH)
Floor Factor =	0.000396	-0-	- 0 -
Ceiling Factor =	0.000885	-0-	- 0 -

8. The DSM Adjustment Clause factor (\$ Per KWH) for each customer sector which fall within the range defined in Item 7 above is as follows:

	<u>RESIDENTIAL</u>	<u>COMMERCIAL **</u>	<u>INDUSTRIAL *</u>
DSM (c)	401,129	-0-	- 0 -
S ©	626,249,600	-0-	- 0 -
Adjustment Factor \$	0.000641	-0-	- 0 -

\*The Industrial Sector has been discontinued pursuant to the Commission's Order dated September 28, 1999.

\*\* The Commercial Sector has been discontinued pursuant to the Commission's Order dated November 21, 2005

**PUBLIC SERVICE COMMISSION**  
**OF KENTUCKY**  
**EFFECTIVE**  
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**PURSUANT TO 807 KAR 5:011**  
**SECTION 9 (1)**

DATE OF ISSUE December 21, 2009 EFFECTIVE DATE Service rendered on or after December 16, 2009

ISSUED BY E. K. WAGNER FRANKI  
 NAME TITLE

By [Signature]  
 Executive Director

Issued by authority of an Order of the Public Service Commission in Case No. 2009-0337